Prince Edward Island
CANADA
Liquor Control Commission

2014 Annual Report
Prince Edward Island
Liquor Control Commission

Moderation ...
is always in good taste.

Prince Edward Island
Liquor Control Commission
66th Annual Report

For the Year Ended
March 31, 2014

Corporate Vision

The Prince Edward Island Liquor Control Commission will be recognized as a truly superior retailer in Prince Edward Island. We will achieve this through quality products, modern technology and increased services. We will be the provincial leader in relationships with our partners, customers and suppliers. We will always strive for the best possible value for our customers, staff and other stakeholders.

Mission Statement

The PEI Liquor Control Commission regulates the sale of beverage alcohol under the authority of the *PEI Liquor Control Act.* It manages the distribution of alcohol by:

- operating in a socially responsible manner;
- achieving the revenue goals of the Provincial Government;
- providing suppliers with controlled access to the marketplace on a fair basis from modern, attractive venues;
- encouraging responsibility and moderation in the consumption of beverage alcohol; and
- providing its employees with equality of opportunity and increased training programs that assist in the individual's personal development and in the commission's overall customer service strategy.

Corporate Values

- **Moderation** – We promote responsible use as a way of life.
- **Quality Service** – We take pride in the quality of our work. We strive for excellence in caring for our customers, suppliers and one another.
- **Continuous Improvement** – As a retailer, we welcome change. We are committed to continuous improvement to all of our services.
- **Integrity and Fairness** – We take responsibility and are fully accountable for our actions, decisions and behaviour. We meet our commitments and obligations to co-workers, customers and business partners. We are open, honest and fair.
- **Importance of People** – We are committed to fostering a positive workplace that builds teamwork, mutual respect and encourages individual development.
- **Focus on Results** – We are committed to getting the job done and improving our productivity levels.

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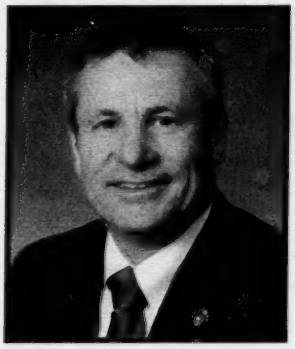
Message from the Minister



The Honourable H. Frank Lewis
Lieutenant Governor of Prince Edward Island
PO Box 2000
Charlottetown, PE C1A 7N8

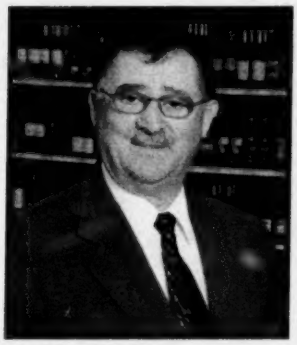
May It Please Your Honour:

Pursuant to the *PEI Liquor Control Act* and as Minister designate, it is my privilege to submit the 66th Annual Report of the Prince Edward Island Liquor Control Commission.

Respectfully submitted,

Robert Henderson
Minister of Tourism and Culture
Minister Responsible for the PEI Liquor Control Commission

Message from the Chairman



The Honourable Robert Henderson
Minister of Tourism and Culture
Minister Responsible for the PEI Liquor Control Commission
PO Box 2000
Charlottetown, PE C1A 7N8

Sir:

In compliance with Section 87(3) of the *PEI Liquor Control Act*, I have the honour to submit the 66th Annual Report of the Prince Edward Island Liquor Control Commission covering the fiscal year April 1, 2013 to March 31, 2014.

Respectfully submitted,

Hector MacLeod
Chairman

Message from the CEO

Mr. Hector MacLeod, Chairman
PEI Liquor Control Commission
PO Box 967
Charlottetown, PE C1A 7M4

Dear Mr. MacLeod:

It is my pleasure to report that the PEI Liquor Control Commission (PEILCC) has surpassed its previous year's transfer to government for the 17th consecutive year. The PEILCC had returns to the Government of Prince Edward Island of over $36.6 million for the fiscal year ending March 31, 2014.

The most recent fiscal year was the first full year of business further to the adoption of the Harmonized Sales Tax (HST). From this year forward, the PEILCC will report only gross receipts and will not include Province Sales Tax in the transfers to government, as the provincial portion of the HST is transferred separately by the Canada Revenue Agency.

This past fiscal year was very successful for the PEILCC with gross receipts increasing by more than $1.5 million to over $99 million. The PEILCC attributes this success to the foresight, dedication and determination of both our staff and Board of Commissioners.

I want to thank all PEILCC employees for their contributions to our accomplishment this year. Thank you also to the ongoing commitment and leadership of the Executive Management team and to the continued support of the PEILCC Board.

We have built a strong team at the PEILCC and I look forward to our future work together.

Yours truly,

Brooke MacMillan
Chief Executive Officer

Corporate Governance

Corporate governance describes the process and structure for overseeing the direction and management of a crown corporation so that it effectively fulfills its mandate. This involves both its public policy and commercial objectives. It defines who is responsible for what, and how to ensure accomplishment and accountability.

Liquor Control Commission Board
Standing from left: Tom Laughlin, Legal Counsel; John Bell, Member;
Lisa MacKinnon, Secretary; Robert Lord, Member; Hector MacLeod, Chair.
Seated from left: Bill Maclellan, Member; Pauline Wood, Vice-Chair; and
Brooke MacMillan, Chief Executive Officer.
Absent from Photo: James Gormley, Q.C., Legal Counsel.

Mandate of Commission Board

The mandate of the board is to supervise the business affairs of the commission. Its most important responsibilities are:

- ensuring that the PEILCC provides high-quality service to the public;
- developing and approving the strategic plan and monitoring management's success in meeting the strategic plan;
- approving annual financial plans;
- assessing and managing business risks and;
- ensuring that the PEILCC performs its regulatory role in a fair and impartial manner.

Accountability to Government and Public

The PEILCC is held accountable by the Government and people of PEI in a number of ways, including:

- the Annual Report, tabled in the Provincial Legislature and available for all Islanders to review, either in print or online at *www.peilcc.ca;*
- annual audits of the PEILCC's financial statements by the Auditor General;
- public access to records under the *Freedom of Information and Protection of Privacy Act;*
- publicly appointed commission members.

Appointment of Members of the Commission

The Lieutenant Governor in Council, through an order-in-council, appoints the members of the commission, establishes the honourariums and designates the chair and vice-chair.

Responsibilities of Commission Members

Each commission member has individual responsibility for corporate governance including:

- acting honestly and in good faith in making decisions with a view to the best interests of the PEILCC and all its stakeholders;
- overseeing the management of the business affairs of the PEILCC;
- avoiding conflicts of interest;
- having adequate knowledge of the PEILCC's business, how it is organized and how it functions;
- attending commission meetings and seeking professional advice where necessary;
- providing guidance on policy development;
- reviewing appeals of listing applications.

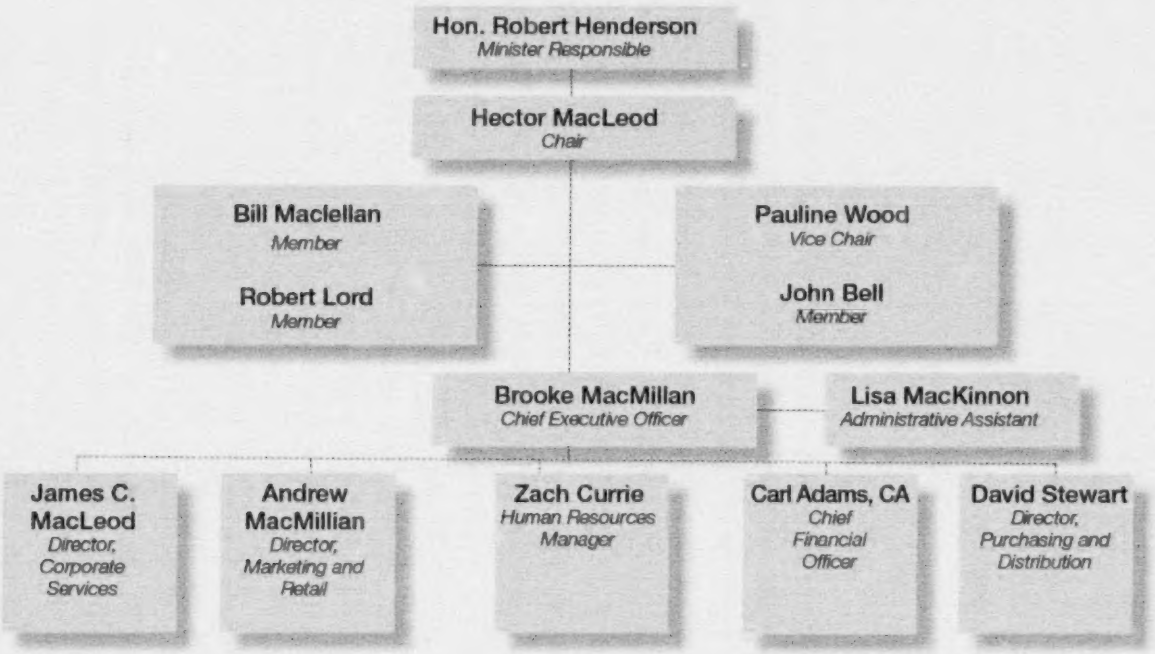
Audit Committee

The Audit Committee is elected annually and consists of three commission members in addition to the chairman and the CEO as ex-officio. The committee ensures the reliability and accuracy of the PEILCC's financial statements, helps co-ordinate and improve internal control functions, and ensures the PEILCC adheres to sound corporate governance principles.

Strategic Planning Committee

The Strategic Planning Committee is elected annually and consists of three commission members in addition to the chairman and CEO as ex-officio. The purpose of the committee is to review and evaluate the corporate plans and to make any recommendations to the board in relation to those plans that the committee considers appropriate.

Organizational Chart



Executive Summary

The Prince Edward Island Liquor Control Commission (PEILCC) is a crown corporation responsible for the administration of the *Liquor Control Act* and Regulations, along with the purchase, control and sale of all beverage alcohol in the province.

A five-member Board of Commissioners is responsible for the commission's activities. The chairperson reports to the minister responsible for the PEI Liquor Control Commission.

The mandate under the *Liquor Control Act* has two primary components: regulatory and commercial. The regulatory function responsibilities include licensing and inspecting licensed premises and special permit events, investigating and reporting on all licensee or special permit complaints and determining whether there were infractions of the *Liquor Control Act* and making recommendations to government on amendments to legislation.

On the commercial side, the commission continues to be a major force in the provincial economy with gross receipts in excess of $99 million, making it one of the largest retail organizations in Prince Edward Island.

In terms of monetary transfers to the Provincial Treasury, this past fiscal year saw $36.6 million returned to the Province, a year over year increase of over $1.1 million. This was the first full fiscal year since the adoption of the Harmonized Sales Tax, which will see monetary transfers reported exclusive of Province Sales Tax from this year forward.

The commission currently operates 18 corporate retail outlets, as well as a central warehouse and Licensee Distribution Centre located in Charlottetown. The commission has contracted with private interests for the operation of a Liquor Agency store in seven locations: Cavendish, East Royalty, Eldon, Kinkora, Morell, Murray Harbour and Wood Islands. A Request for Proposal to operate a liquor agency on the waterfront area of Charlottetown has recently closed. It is anticipated the successful bidder would open this location in May 2014.

A strategic plan is in place that guides the commission to success in meeting its performance and accountability goals.

The commission focuses on the following five key areas to measure performance:

1. Financial Performance;
2. Customer Service;
3. Business Effectiveness;
4. Public Safety and Social Responsibility; and
5. Workplace Quality and Employee Excellence.

These areas serve as a blueprint for incorporating the Mission Statement into day-to-day activities and establishing strategic goals, the details of which are explained in further detail in this report.

Sommaire

La Régie des alcools de l'Île-du-Prince-Édouard (R.A.Î.P.É.) est une société de la Couronne responsable de l'administration de la *Liquor Control Act* (loi sur le contrôle des alcools) et de ses règlements, ainsi que de l'achat, du contrôle et de la vente de toutes les boissons alcoolisées dans la province.

Un conseil de cinq commissaires est responsable des activités de la Régie. La présidence fait rapport au ministre responsable de la Régie des alcools de l'Île-du-Prince-Édouard.

Le mandat relevant de la *Liquor Control Act* a deux composantes principales, une de réglementation et l'autre commerciale. Les responsabilités réglementaires comprennent l'octroi des licences et l'inspection de les débits de boisson et des événements nécessitant des permis spéciaux, l'enquête et les rapports de plaintes portant sur les détenteurs de licences ou de permis spéciaux, la prise de décisions concernant les infractions à la *Liquor Control Act* et les recommandations au gouvernement au sujet de modifications à la loi.

Du côté commercial, la Régie continue d'être un levier important de l'économie de la province avec des ventes brutes dépassant les 99 millions de dollars, ce qui en fait un des plus importants organisms de vente au détail de l'Île-du-Prince-Édouard.

En termes de transferts monétaires au Trésor provincial, 36,6 millions de dollars ont été remis à la Province au cours de la dernière année financière. Ce montant représente une augmentation de plus de 1,1 million de dollars d'une année à l'autre. Notons qu'il s'agissait du premier exercice complet depuis d'adoption de la taxe de vente harmonisée; dorénavant, les rapports sur les transferts monétaires de la Régie des alcools de l'Î.-P.-É. excluront la taxe de vente provinciale.

À l'heure actuelle, la Régie exploite 18 points de vente au détail ainsi qu'un entrepôt central et un centre de distribution pour les détenteurs de licences situé à Charlottetown. La Régie a passé des contrats avec le secteur privé pour les activités d'un magasin de franchise à Cavendish, East Royalty, Eldon, Kinkora, Morell, Murray Harbour et Wood Islands.

L'appel de propositions pour l'exploitation d'un magasin de franchise privé sur le front de mer de Charlottetown est maintenant terminé. La date d'ouverture du magasin est prévue pour mai 2014.

Un plan stratégique est en place pour guider la Régie dans l'atteinte de ses objectifs de performance et d'imputabilité.

La Régie concentre ses efforts sur les cinq domaines principaux suivants afin de mesurer sa performance :

1. la performance financière;
2. le service à la clientèle;
3. l'efficacité des opérations;
4. la sécurité publique et la responsabilité sociale; et
5. la qualité du milieu de travail; l'excellence des employés.

Ces domaines servent de plan directeur à l'intégration de notre mission dans nos activités quotidiennes et à l'établissement de buts stratégiques, dont les détails sont présentés dans le présent rapport.

Operational Overview

2013-2014 Year in Review

The Prince Edward Island Liquor Control Commission's Strategic Plan continued to guide activities through fiscal 2013-2014. Progress on strategic objectives is supported by annual business plans that set priorities for actions to meet objectives and timelines for their completion. The following is an overview of the performance in each of the five strategic objectives

Goal 1 Financial Performance

Goal
To maximize net income within the policy guidelines established by the provincial government.

Objectives
1. Achieve or exceed planned monetary transfer to the Provincial Government.
2. Achieve or exceed net income targets.
3. Increase traffic through liquor stores.

	Actual 2012-2013	Budget 2013-2014	Actual 2013-2014	% of 2013-2014 Budget	Budget 2014-2015
Gross Receipts	$97,683,171	$102,403,849	$99,210,557	96.88%	$104,033,595
Gross Profit	30,232,273	33,149,834	30,892,170	93.19%	33,714,600
Operating Expenses	14,486,155	14,382,413	14,109,230	98.10%	14,317,700
Net Income	18,054,308	21,100,000	19,018,117	90.13%	21,839,000
Monetary Transfers*	35,480,037	39,900,000	36,605,019	91.74%	39,939,000

*Monetary Transfers amounts have been revised further to the introduction of the Harmonized Sales Tax (April 1, 2013) and are now reported exclusive of Provincial Sales Tax.

The PEI Liquor Control Commission delivered both an increased net profit and an increased transfer to the provincial government in fiscal 2013-2014.

Gross receipts were $99,210,557 for the fiscal year ended March 31, 2014, an increase of $1,527,386 over the previous year. This increase came as a result of new sales and marketing initiatives.

Net transfers for the year totaled $36,605,019, exclusive of the provincial portion of the Harmonized Sales Tax which is transferred by the Canada Revenue Agency. This year's performance resulted in a $1,124,982 increase in the PEILCC's contribution to the province over the previous year.

Performance Highlights

Figure A – Sources of Gross Receipts
Fiscal Year 2014

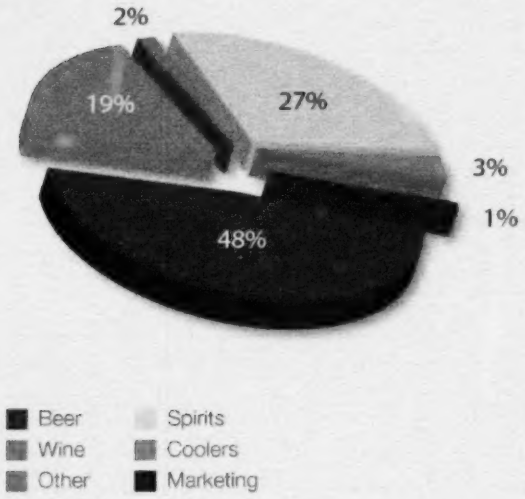
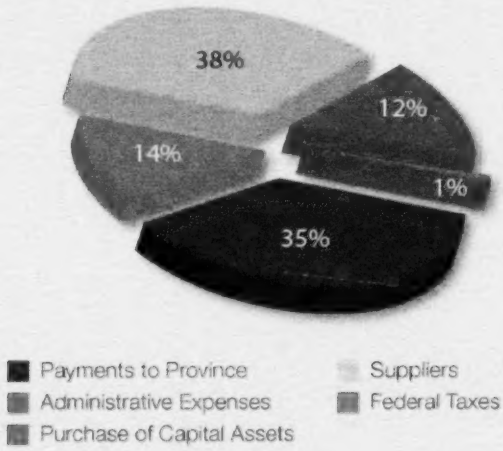


Figure B – Application of Gross Receipts
Fiscal Year 2014



The commission spent approximately $38.1 million on alcohol from both national and international sources. Gross margins increased by 0.53% due to one-time only marketing promotions.

Goal 2 Customer Service

Goal
To understand the needs of our customers so that we can provide quality products and services that are delivered by knowledgeable, courteous employees in attractive and accessible facilities.

Objectives
1. Enhance the shopping experience for PEILCC wholesale and retail customers.
2. Provide enhanced customer services.
3. Improve product portfolio.

	Actual 2012-2013	Target 2013-2014	Actual 2013-2014	% of 2013-2014 Target	Target 2014-2015
Customers served	2,768,546	2,846,132	2,546,934	89.49%	2,544,230
Average customer transaction value	$35.28	$35.98	$38.95	108.25%	$40.89

Volumes by Litres					
	Actual 2012-2013	Target 2013-2014	Actual 2013-2014	% of 2013-2014 Target	Target 2014-2015
Beer	8,838,314	9,265,437	8,466,626	91.38%	8,380,000
Draught	654,664	686,301	743,706	108.36%	780,000
Spirits	837,454	877,925	820,618	93.47%	828,800
Wine (including BYO)	1,356,409	1,421,960	1,383,287	97.28%	1,420,000
Coolers	406,209	425,840	408,033	95.82%	420,000
Total	**12,093,050**	**12,677,463**	**11,822,270**	**93.25%**	**11,828,800**

Performance Highlights

The PEI Liquor Control Commission built on the success of the previous year's record transfer to the province with a number of in house programs aimed at producing similar results.

New marketing program display opportunities were made available during the course of the year that resulted in sales volume increases for both the participating suppliers and the Commission.

Volume for packaged beer was down this fiscal year at 8,466,626 litres, compared to 8,838,314 the previous year. Conversely, draught beer volumes were up year over year, at 743,706 litres compared to 654,664 litres in 2012-2013. The trend toward craft and import beer products, including those available in draft format, continues to make for a decline in the volume of mainstream bottled beer products.

The Cooler category continues to be popular with volumes up slightly over last year's performance with total of 408,033 litres sold. The Spirit category was down just over 16,000 litres from the previous year, selling 820,618 litres compared to 837,454 litres the previous year. While volumes have declined in this category, sales continue to trend toward more premium products which is evidenced by the increase in the value of the average customer transaction.

The Wine category continued to display strong performance again in 2013-2014 selling a total of 1,383,287 litres, an increase of 26,878 litres over the previous year. New offerings continued to drive growth in both sales and volume in this category. The availability of one time offerings throughout the year has also been popular with customers. The PEILCC continues to expand the Vines concept to include many PEILCC retail outlets displaying these products as a portion of each locations' shelf set.

A number of supplier supported themed campaigns ran throughout the course of the year including themes such as *Island Style* which helped to promote food and drink pairings with recipes. The *Island Rivers – Worth Protecting* campaign was popular again this year and continued to support the efforts of the Atlantic Salmon Conservation Foundation. The annual holiday campaign offered $5 gift cards for every $25 spent on gift cards.

Similar displays across the corporate retail network permits products to be featured in a like fashion and provides consistency across all locations. Local producers continue to benefit from exposure of having their products featured on 'Buy PEI' displays as well as on the shelves with products of their respective category.

A new retail brand 'PEI Liquor – Alcohol Î.-P.-É.' is now used to identify retail outlets across the province. This new branding provides uniformity in retail signage and includes naming conventions similar to those in other maritime liquor jurisdictions.

The province now boasts twelve local producers including Arlington Orchards, Barnone Brewery, Deep Roots Distillery, Gahan Brewery, Honeydew Apiaries, Matos Winery, Matos Winery (Distillery), Myriad View Artisan Distillery, Newman Estates Winery, Prince Edward Distillery, Prince Edward Island Brewing Company and Rossignol Estate Winery.

The Charlottetown Civic Centre served as the venue for the 19th Prince Edward Island Liquor Control Commission's Festival of Wines, this year rebranded as the ***New*** PEI Festival of Wines. A third party was engaged through a Request for Proposal process to manage the planning and execution of the festival, with the PEILCC continuing to operate the on-site retail boutique.

This event featured more than 200 wines, many of which are now included among the PEILCC's general listings. The 2013 festival included France as its feature region. Wines from this region were promoted throughout the PEILCC retail network leading up to the festival as well as on site during the event. The feature region concept continues to provide profile not only to the region but also to the Festival of Wines as a whole.

The Commission also participated in other events during the year including the 5th annual PEI Savour Food and Wine Show, and the PEI Beer Festival. Both of which helped generate interest across each of the beer, spirits and wine categories.

A number of PEILCC retail employees have taken advanced training, providing them with an additional level of expertise which is beneficial when helping customers with product options. This training combined with other initiatives led by the Commission's Wine Category Manager, have contributed to the development of the wine category as a whole.

The Store of the Year award was presented to PEI Liquor Stratford. This new award recognizes the overall performance in Key Performance Indicators, over the course of the past fiscal year.

Goal 3 Business Effectiveness

Goal
To improve operating efficiencies and manage business practices in a climate of continuous change.

Objectives
1. Operate the business in the most effective and efficient manner possible.
2. Maximize the efficiency of the PEILCC liquor distribution operation.

	Actual 2012-2013	Target 2013-2014	Actual 2013-2014	% of 2013-2014 Target	Target 2014-2015
Distribution Centre fill rate	86.80%	90.00%	88.05%	97.83%	90.00%
Distribution Centre stock-out rate	3.57%	9.00%	3.39%	276.06%	9.00%
Warehouse inventory turns/day	79.59	79.00	82.80	104.81%	79.00
Store inventory turns/day	34.60	34.00	34.50	101.47%	34.00
Gross Receipts per Square Foot (Retail and Licensee)	$781.67	$819.44	$793.89	96.88%	$819.44

Performance Highlights

The commission set inventory turnover goals at the beginning of the fiscal year as part of its strategic plan. These turnover ratios were based on the year ended March 31, 2013 to measure inventory efficiencies.

The commission has been better able to manage the days in inventory and the warehouse level in order to meet the needs of our customers. Store inventory turns are up slightly from last year which can be attributed to the increase in the number of products held in store inventory and necessary to fulfill customer demands.

An improved store ordering process continues to keep store inventories in check and ensured better distribution and availability of inventory across the retail network. In addition, the central warehouse has been reconfigured to optimize space and manage warehouse efficiency.

Warehouse stock-out reports continue to be utilized in order to better serve customers. These reports allow improved monitoring of inventory to ensure goods are available to be shipped from the warehouse to the store, therefore minimizing the number of stock-outs and increasing customer satisfaction.

Increased customer satisfaction and efficiencies can also be gauged by receipts per square foot. A year over year positive trend in this measurement indicates fewer stock out situations and more products in market, therefore providing increased overall customer satisfaction.

Goal 4 Public Safety and Social Responsibility

Goal
In partnership with community groups and suppliers, the PEILCC will strive to raise public and staff awareness of the responsible use of beverage alcohol.

Objectives
1. Eliminate sales to minors and intoxicated people.
2. Continue to increase the awareness and promote public awareness of issues surrounding responsible use of beverage alcohol.
3. Increase, through partnerships, the effects of the responsible use of alcohol.

	Actual 2012-2013	Target 2013-2014	Actual 2013-2014	% of 2013-2014 Target	Target 2014-2015
% of licensees and permit holders in compliance with legislation, regulations and policies	91.6%	95%	98.4%	104%	95%
% of license and permit applications completed within established time frames*	100%	100%	100%	100.00%	100%
Shrinkage (% of gross receipts)	0.02%	0.02%	0.00%	102%	0.02%
*Time frame – 7 days for permits, 21 days for licenses.					

Performance Highlights

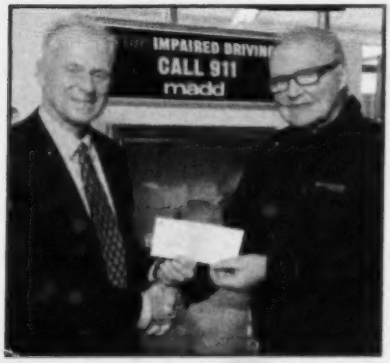
The PEI Liquor Control Commission continues to promote the responsible use of alcohol. The commission strives to provide products that are socially responsible and incorporates responsible messaging into product promotions.

Ongoing responsible use initiatives include: Support Safe Grad, Challenge and Refusal, and ID Training for PEILCC retail and liquor agency staff, Check 25 ID Program, HOST booklet and various responsible use messages during graduation, long weekends, Christmas and New Year's celebrations. Responsible Use messages were promoted throughout the year using local media and *Occasions* magazine.

The Prince Edward Island Liquor Control Commission continued its support of MADD Canada's Multi-media School Assembly Program during the 2013-14 school year, with seven presentations of the English language version *Smashed* and two of the French language version *Impact* which took place in high schools across the Island. The commission provided ongoing support for MADD Canada's campaign 911, which was launched across the province in 2010 and introduced a new in-store retail ice program in a number of corporate retail outlets in June 2013, which also benefits the work of MADD Canada.

The commission continued to participate on a number of committees promoting responsible use including the Ad Hoc Working Group on Impaired Driving Prevention, and the Canadian Liquor Jurisdictions Social Responsibility Committee.

Charities on Prince Edward Island benefited from ongoing fundraising initiatives supported by the commission throughout the year. The 5th annual PEILCC Golf Classic raised over



$14,000, benefitting KidSport PEI and Safe graduation activities in Island high schools. The 6th annual wine cooler raffle raised over $13,000 in support of the PEI Association of Food Banks and the Stars for Life Foundation for Autism.

The third year of an at-cash campaign benefitting the PEI Region of the Canadian Red Cross, was successful in generating over of $45,000 to continue the support of community programs and relief to Islanders in the time of need.

The PEILCC also completed the third year of a five year agreement with the Atlantic Salmon Conservation Foundation (ASCF) with over $21,000 collected through this supplier supported campaign. A portion of sales from a variety of products, were donated to the ASCF to assist with projects that help protect and rejuvenate rivers across the province.

The Heart and Stroke Foundation's Paper Hearts campaign took place for the third year in 2013 and was successful in raising over $6,400. The Foundation uses these funds to continue the advancement of research, promotion of healthy living and advocacy.

Photos left top to bottom: Cheque presentations to MADD Canada, KidSport PEI, Safe Grad, PEI Association of Food Banks. Second column: Stars for Life for Autism, Atlantic Salmon Conservation Foundation. Third column: Red Cross PEI, Heart and Stroke Foundation of PEI.

The PEILCC actively assists various groups and causes through coin box collections in all corporate retail outlets. Groups receiving benefit from this activity during this fiscal year included ALS Society of PEI, Anderson House, Big Brothers Big Sisters of PEI, CAT Action Team, Cerebral Palsy Association of PEI, Children's Wish Foundation, Crohn's and Colitis Foundation of Canada, IWK Health Centre, MADD Canada, MS Society, PEI Humane Society, and the Prince Edward Island Rape and Sexual Assault Centre.

During the fiscal year, the commission continued its commitment to social responsibility in the areas of alcohol service and community support. The PEILCC partnered with a number of outside agencies in shared activities including:

- Participation as an active member of the Canadian Association of Liquor Jurisdictions (CALJ) Social Responsibility Committee.
- Affiliation with the Culinary Institute of Canada, to provide the mandatory server program *It's Our Business*, an awareness program for staff of licensed premises.
- Raising monies for ALS Society of PEI, Canadian Diabetes Association, Easter Seals Society of PEI, IWK Health Centre Foundation, Parkinson Society of Canada, Prince County Hospital Foundation and the QEH Foundation through staff dress-down days and other staff events raising a total of $8,702.96.
- Generating over $2,691 in support of the Hospice Palliative Care Association of PEI through proceeds from the silent auction, held during the 19th annual Festival of Wines.

Optimal compliance to the *Liquor Control Act*, Regulations and Policies is a primary objective of the commission. Retail staff are required to check and verify the age of customers and refuse minors or intoxicated persons. In 2013-2014, store staff checked 74,289 people suspected of being underage, intoxicated or with no ID and refused service to 2,494. Liquor inspectors performed 4,312 compliance inspections and 10,436 ID checks in licensed premises.

After evaluating all stores in relation to established criteria, the staff of the Borden-Gateway store was awarded the Annual CEO's Award of Merit for Loss Prevention for fiscal 2013-2014.

The William (Billy) S. MacMillan Community Award was awarded to the management and staff of PEI Liquor Oak Tree Place. This new award recognizes leadership in support of the PEILCC's corporate social responsibility program.

Left: Peggy Comey (left), Manager of the Borden-Gateway Liquor Store accepts the CEO's Award for Merit for Loss Prevention on behalf of the store staff from Hector MacLeod, Chairman on the PEILCC.

Right: Billy MacMillan (left), Manager of PEI Liquor Oak Tree accepts the inaugural William (Billy) S. MacMillan Community Award on behalf of his staff, from Hector MacLeod, Chairman of the PEILCC.

Photo credits: PEILCC

Goal 5 Workplace Quality and Employee Excellence

Goal
Build a customer-focused, high-performance work environment that results in greater employee involvement, development, innovation and creativity.

Objectives
1. Enhance staff skills through employee training programs.
2. Continue to develop a customer-focused workplace.
3. Provide a safe, healthy and harassment-free workplace.

	Actual 2012-2013	Target 2013-2014	Actual 2013-2014	% of 2013-2014 Target	Target 2014-2015
Workplace quality training	70	130	59	45.38%	130
Product knowledge	98	175	146	83.43%	175
Staff development (professional and personal)	190	100	75	75%	100

Performance Highlights

Training is offered to PEI Liquor Control Commission employees on an on-going basis. The Product Knowledge Course, offered in conjunction with the Liquor Control Board of Ontario (LCBO) is available to all staff, providing an opportunity to expand their product knowledge.

In addition to the LCBO program, a wine appreciation and knowledge course is offered by the Category Manager of Wine. This intensive program is aimed at ensuring knowledgeable staff are available in PEILCC stores to assist customers when selecting wines and to provide suggestions for food and wine pairing.

PEILCC staff benefit from product seminars throughout the year. These sessions have included industry led seminars as well as opportunities to visit local producers in order to learn firsthand how products are made.

The PEILCC is very conscious of the need for safety awareness in the workplace, not only for employees but also for customers. It is for this reason that First Aid and CPR training is made available to all staff on an annual basis. In the future, more emphasis will be placed in this area with regard to seasonal employees who are hired during the peak summer season and experience a high concentration of customer traffic.

Occupational Health and Safety (OH&S) plays an important role in the PEILCC's day to day operations. The PEILCC ensures that OH&S representatives receive updated training on their responsibilities, including courses that ensure safe workplaces for both employees and customers.

Identification verification seminars were offered for and attended by a cross-section of corporate retail and liquor agency staff. These presentations provided the opportunity for staff to increase their skills in the recognition of altered identification. PEILCC staff continue to pursue training and education through courses offered by universities and other post secondary institutions.

Those employees who are interested in advancing to management roles have been actively involved in business management training during recent years. The PEILCC continues to support staff development and training and the province's Development and Training Fund continues to provide assistance to employees as they pursue advanced training opportunities.

Challenges and Opportunities Ahead

The Prince Edward Island Liquor Control Commission continues to identify opportunities and challenges, as well as to meet the expectations of an increasingly diverse and discerning customer base. Store renovations and a new merchandising strategy have improved the way in which products are displayed as well as the customer experience.

On-going investment and planning is required to meet customers' needs and keep standards moving forward. In addition, continued investment in human resources and financial resources are also necessary to fulfill its strategic plan.

Capital planning is required to provide for future needs. The commission has increased its monetary transfer goal to over $39.9 million exclusive of the Provincial portion of the Harmonized Sales Tax for the 2013-2014 fiscal year to help continue investments in our province.

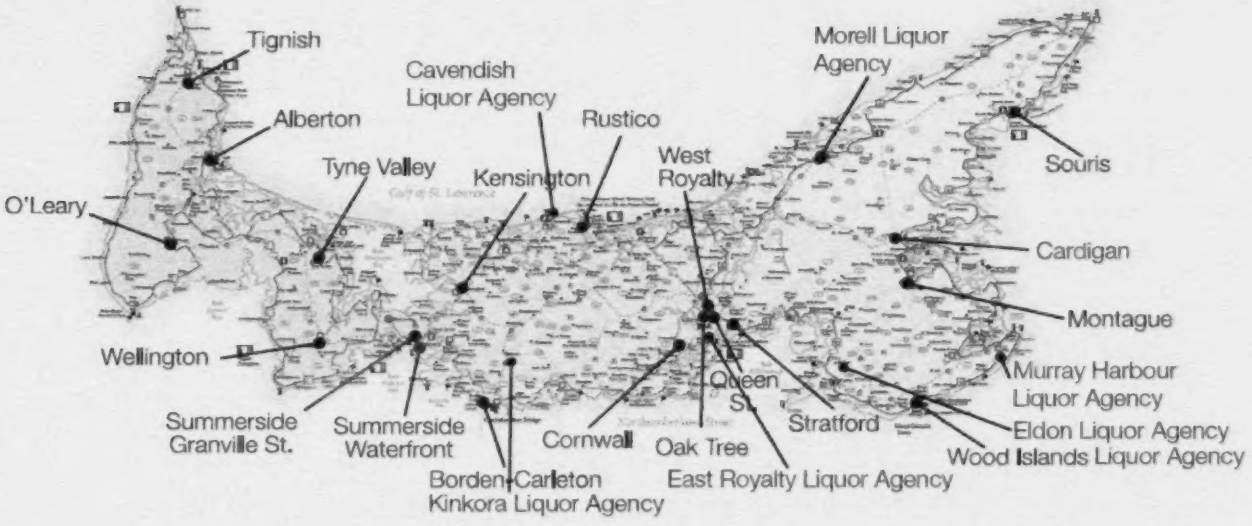
Managing human resources continues to be a key challenge for the PEILCC. It constantly reviews resource needs and training opportunities to meet changing retail and technology requirements.

A disciplined category management approach, working in co-ordination with the supply chain, has provided a more efficient system to get products from the commission's international supply chain onto its store shelves. The PEILCC continues to investigate new opportunities for products and their distribution to meet customer demand.

The commission's commitment to social responsibility presents ongoing opportunities to communicate and reinforce the message of responsible use and public safety to a wide range of audiences.

Underlying all of these challenges and opportunities is the vision of excellence in management. Being prepared to capitalize on new opportunities in the marketplace and continuing to integrate and streamline operations is key. The PEILCC is confident that it is building an organization which is internally more efficient and will continue to be publicly accountable.

Prince Edward Island Liquor Control Commission
Retail Liquor Outlets



Corporate Retail Outlets	Liquor Agency Stores
Alberton	Cavendish
Borden-Carleton	East Royalty
Cardigan	Eldon
Cornwall	Kinkora
Kensington	Morell
Montague	Murray Harbour
North Rustico	Wood Islands
Oak Tree	
O'Leary	
Queen Street	
Souris	
Stratford	
Summerside – Granville Street	
Summerside – Waterfront Mall	
Tignish	
Tyne Valley	
Wellington	
West Royalty	

Statistics

Retail Gross Receipts by Store

Retail Store	Year Ended March 31, 2014	Year Ended March 31, 2013	Increase (Decrease)
Alberton	$1,545,131	$1,569,125	($23,994)
Borden/Carleton	1,699,674	1,796,664	(96,990)
Cardigan	1,968,755	1,910,273	58,482
Charlottetown - Oak Tree Place	14,981,427	15,787,741	(806,314)
Charlottetown - Queen Street	3,503,053	3,730,671	(227,618)
Cornwall	5,197,319	5,452,886	(255,567)
Kensington	3,131,459	3,220,984	(89,525)
Licensee Distribution Centre	17,185,144	12,163,700	5,021,444
Montague	4,823,778	5,162,978	(339,200)
North Rustico	2,842,841	3,325,960	(483,119)
O'Leary	1,781,587	1,758,386	23,201
Souris	2,805,027	2,804,773	254
Stratford	8,157,388	8,376,070	(218,682)
Summerside - Granville Street	7,885,554	8,073,499	(187,945)
Summerside - Waterfront	4,465,037	4,627,456	(162,419)
Tignish	2,658,345	2,631,154	27,191
Tyne Valley	1,094,939	1,090,008	4,931
Warehouse/Other	1,232,524	784,688	447,836
Wellington	1,319,305	1,267,433	51,872
West Royalty	10,932,270	11,905,942	(973,672)
Wood Islands	0	242,780	(242,780)
Total	**$99,210,557**	**$97,683,171**	**$1,527,386**

Statistics

Summary of Profit and Expense Ratios
Two-year Comparison

(in 000s)

	2014	2013
Gross Receipts	$99,211	$97,683
Gross Profit	30,892	30,232
Net Income	19,018	18,054
General and Administrative Expenses	14,109	14,486
Gross Profit as a Percentage of Gross Receipts	31.14%	30.95%
Net Profit as a Percentage of Gross Receipts	19.17%	18.48%
General and Administrative Expenses as a Percentage of Gross Receipts	14.22%	14.83%

Table A – Spirit Sales Volumes (litres) by Product Type

	2014	2013
Rum	257,652	267,901
Vodka	220,086	223,113
Whiskey	153,242	157,332
Premix	79,241	73,104
Liqueurs	53,150	57,740
Scotch	20,008	20,949
Gin	18,508	19,423
Tequila	5,280	5,284
Bourbon	6,103	5,362
Brandy	3,742	3,785
Miscellaneous	3,606	3,461
Total	**820,618**	**837,454**

Table B – Wine Sales Volumes (litres) by Product Type

	2014	2013
White	708,251	696,845
Red	563,544	558,879
Fruit	29,969	33,331
Sherry	13,702	15,010
Rose	16,909	19,467
Cider	30,412	14,921
Port	4,193	4,191
Dessert	1,657	801
Vermouth	2,563	2,501
Miscellaneous	12,087	10,463
Total	**1,383,287**	**1,356,409**

Table C – Beer Sales Volumes (litres) by Product Type

	2014	2013
Packaged	8,466,626	8,838,314
Draught	743,706	654,664
Total	**9,210,332**	**9,492,978**

Table D – Cooler Sales Volumes (litres) by Product Type

	2014	2013
Spirit Coolers	400,579	398,031
Wine Coolers	7,454	8,178
Total	**408,033**	**406,209**

Table E – 2014 Public versus Licensee Gross Receipts by Category

	2014			2013		
	Public	**Licensee**	**Total**	**Public**	**Licensee**	**Total**
Beer	$35,263,928	$13,113,845	$48,377,773	$38,304,945	$10,014,259	$48,319,204
Spirits	23,147,835	4,552,852	27,700,687	24,068,204	3,292,020	27,360,224
Wine	15,973,784	3,720,702	19,694,486	16,032,330	2,678,701	18,711,031
Coolers	2,549,005	751,577	3,300,582	2,740,359	533,585	3,273,944
Non-Alcohol	135,637	1,392	137,029	18,484	284	18,768
Total	**$77,070,189**	**$22,140,368**	**$99,210,557**	**$81,164,322**	**$16,518,849**	**$97,683,171**

Table F – 2014 Public versus Licensee Sales Volumes (litres) by Category

	2014			2013		
	Public	**Licensee**	**Total**	**Public**	**Licensee**	**Total**
Beer	6,618,352	2,591,980	9,210,332	7,311,134	2,181,843	9,492,977
Spirits	675,105	145,513	820,618	723,125	114,329	837,454
Wine	1,102,421	280,866	1,383,287	1,136,811	219,599	1,356,410
Coolers	313,388	94,645	408,033	334,248	71,961	406,209
Total	**8,709,266**	**3,113,004**	**11,822,270**	**9,505,318**	**2,587,732**	**12,093,050**

Statistics

Total Licenses and Special Permits
March 31, 2013 and March 31, 2014

License Type	Year Ended March 31, 2014	Year Ended March 31, 2013
Dining Room	183	189
Lounge	89	88
Club	53	52
Military Canteen	20	19
Special Premise	89	82
Caterer	29	29
Agency Store	1	1
Liquor Agency	6	5
Winery	5	4
Micro-Brewery	3	3
Tourist Home	6	6
Distillery	3	3
Brew Pub	1	1
Ferment on Premises	6	5
Total Licenses in Effect	**494**	**487**

Special Permits Issued	Year Ended March 31, 2014	Year Ended March 31, 2013
Class I	125	157
Class II	164	247
Total	**289**	**404**

A Class I permit entitles host to give beverages to guests.
A Class II permit entitles host to sell beverages to guests.

Management's Report

Mr. Hector MacLeod, Chairman
PEI Liquor Control Commission
PO Box 967
Charlottetown, PE C1A 7M4

Dear Mr. MacLeod:

The preparation of financial information is an integral part of management's responsibilities and the accompanying financial statements are the responsibility of the management of the commission. This responsibility includes the selection of appropriate accounting policies and making judgments and estimates consistent with International Financial Reporting Standards.

The commission maintains an accounting system and related controls that provide management and the commission with reasonable assurance that transactions are executed and recorded as authorized, that assets are properly safeguarded and accounted for, and that financial records are reliable for the preparation of financial statements in accordance with International Financial Reporting Standards.

Financial information presented elsewhere in this annual report is consistent with that in the financial statements.

Brooke MacMillan
Chief Executive Officer

Carl J. Adams, CA
Chief Financial Officer

Appendix

Auditor's Report and Audited Financial Statements

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION

Financial Statements
March 31, 2014

Prince Edward Island
Office of the
Auditor General
PO Box 2000, Charlottetown PE
Canada C1A 7N8

Île-du-Prince-Édouard
Bureau du
vérificateur général
C.P. 2000, Charlottetown PE
Canada C1A 7N8

INDEPENDENT AUDITOR'S REPORT

To the Commissioners of the
Prince Edward Island Liquor Control Commission

I have audited the accompanying financial statements of the **Prince Edward Island Liquor Control Commission** which comprise the statement of financial position as at March 31, 2014, and the statement of comprehensive income and changes in retained earnings, and the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted the audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2014, and the results of its operations and changes in cash flow for the year then ended in accordance with International Financial Reporting Standards.

B. Jane MacAdam

B. Jane MacAdam, CA
Auditor General

Charlottetown, Prince Edward Island
June 24, 2014

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
Statement of Financial Position
March 31, 2014

	2014	2013
	$	$
Assets		
Current Assets		
Cash (Note 10)	1,786,650	2,706,686
Accounts receivable (Notes 5, 10)	1,157,310	783,843
Inventory (Note 6)	7,584,881	7,049,309
Prepaid expenses	212,841	143,653
	10,741,682	10,683,491
Non Current Assets		
Property, plant, and equipment (Note 7)	6,816,207	5,973,905
Total Assets	17,557,889	16,657,396
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities (Notes 8, 10)	2,509,055	1,976,619
Due to the Province of Prince Edward Island (Note 10)	12,180,649	12,830,981
Deferred revenue	122,372	95,471
Current portion of obligations under finance leases (Notes 10, 12)	32,249	-
Current portion of debentures payable (Notes 9, 10)	352,007	455,962
	15,196,332	15,359,033
Non Current Liabilities		
Obligations under finance leases (Notes 10, 12)	1,015,201	-
Debentures payable (Notes 9, 10)	1,346,356	1,298,363
	2,361,557	1,298,363
Total Liabilities	17,557,889	16,657,396

(The accompanying notes are an integral part of these financial statements.)

Authorized on behalf of the Prince Edward Island Liquor Control Commission

Chair

Commissioner

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION

Statement of Comprehensive Income and Changes in Retained Earnings
for the year ended March 31, 2014

	2014	2013
	$	$
Revenue		
Sales (Note 13)	68,999,435	68,337,406
Cost of goods sold (Note 6)	38,107,265	38,105,133
Gross profit	30,892,170	30,232,273
Expenses		
Amortization	971,092	1,017,050
Insurance and taxes (Note 15)	177,452	181,954
Interest on long-term debt (Notes 9, 15)	78,074	104,046
Interest on finance leases (Note 12)	30,257	-
Operating leases (Note 12)	759,284	768,012
Other operating expenses	859,448	934,055
Repairs and maintenance	592,310	808,148
Salaries and benefits (Notes 14, 15)	9,261,089	9,229,462
Store and office expenses	507,411	539,333
Travel	117,363	141,314
Utilities	755,450	762,781
	14,109,230	14,486,155
Income from operations	16,782,940	15,746,118
Other income	2,282,828	2,308,190
Loss on disposal of non current assets	(47,651)	-
Comprehensive income	19,018,117	18,054,308
Retained earnings, beginning of year	-	-
Distributions to the Province of Prince Edward Island (Note 15)	19,018,117	18,054,308
Retained earnings, end of year	-	-

(The accompanying notes are an integral part of these financial statements.)

PRINCE EDWARD ISLAND
LIQUOR CONTROL COMMISSION
Statement of Cash Flow
for the year ended March 31, 2014

	2014	2013
	$	$
Cash provided (used) by:		
Operating Activities		
Comprehensive income for the year	19,018,117	18,054,308
Loss on disposal of assets	47,651	-
Amortization	971,092	1,017,050
	20,036,860	19,071,358
Change in working capital:		
Accounts receivable	(373,467)	147,253
Inventories	(535,572)	(1,050,749)
Prepaid expenses	(69,188)	(26,524)
Accounts payable	532,436	26,501
Deferred revenue	26,901	11,053
Cash provided by operating activities	19,617,970	18,178,892
Financing Activities		
Payments to the Province of Prince Edward Island	(19,668,449)	(15,589,685)
Payment of obligations under finance leases	(17,243)	-
Loan from the Province of Prince Edward Island	400,000	-
Debenture repayments	(455,962)	(677,518)
Cash used by financing activities	(19,741,654)	(16,267,203)
Investing Activities		
Acquisition of property, plant, and equipment	(796,352)	(724,211)
Change in cash	(920,036)	1,187,478
Cash, beginning of year	2,706,686	1,519,208
Cash, end of year	1,786,650	2,706,686
Supplementary disclosure		
Interest paid	108,331	114,361

(The accompanying notes are an integral part of these financial statements.)

1. General Information and Nature of Operations

The Prince Edward Island Liquor Control Commission (the Commission) is a wholly owned Crown corporation of the Province of Prince Edward Island responsible for managing the importation, sale, and distribution of beverage alcohol throughout Prince Edward Island. The head office is located at 3 Garfield Street in Charlottetown with outlets in various locations across the province.

2. Statement of Compliance and Approval

The financial statements of the Commission have been prepared by management in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

These financial statements were authorized for issuance by the Board of Commissioners on June 17, 2014.

3. Summary of Significant Accounting Policies

a) International Financial Reporting Standards (IFRS)

The financial statements have been prepared using the accounting policies specified by IFRS, issued and in effect as of March 31, 2014. The significant accounting policies used in the preparation of these financial statements are summarized below.

These accounting policies have been used throughout all of the periods presented.

An overview of the standards, amendments, and interpretations on the conversion to IFRS which are issued but not yet in effect are presented in Note 3(g).

b) Presentation of the Financial Statements

The financial statements are presented in accordance with International Accounting Standard 1 (IAS 1), "*Presentation of Financial Statements*". The Commission has elected to present a single statement of comprehensive income. The financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is the functional currency of the Commission.

c) Revenue Recognition

Revenue is derived from the sale of goods and other income from the rendering of services. Reconciliation between gross receipts and revenue is shown in Note 13.

3. Summary of Significant Accounting Policies (continued...)

c) Revenue Recognition (continued...)

Revenue is measured by reference to the fair value of the consideration received or receivable by the Commission for the goods or services supplied, exclusive of sales tax, deposits, health tax, rebates, and trade discounts.

Sales

Revenue from the sale of goods is recognized when the amount of revenue can be reliably measured, collection is probable, the costs incurred or to be incurred can be reliably measured, and when significant risks and rewards of ownership have been transferred to the buyer.

Significant risks and rewards are generally considered to be transferred to the buyer when the customer has taken legal title and possession of the goods and contractual obligations have been met.

Other Income

Other income includes permit, license and marketing fees and limited time offer promotions. Revenue from other income is recognized when the amount of revenue can be reliably measured, it is probable that economic benefits will flow to the Commission, the stage of completion can be reliably measured, and the costs incurred to date and the costs required to complete the transaction can be reliably measured.

Deferred Revenue

The Commission sells gift cards to its customers and initially records the amount to deferred revenue. Revenue is recognized as the gift cards are redeemed. If, in the opinion of management, the likelihood of the gift card being redeemed is remote then the revenue will be recognized immediately.

d) Expenses

Expenses are recorded on an accrual basis in the period in which the transaction or event that gave rise to the expense occurred.

e) Inventory

Inventory is valued at the lower of cost or net realizable value on a first-in, first-out basis. Inventory costs include the purchase price, duty and excise taxes, and standard freight rates.

3. Summary of Significant Accounting Policies (continued...)

f) Property, Plant, and Equipment

Property, plant, and equipment are stated at cost less accumulated amortization and any impairment losses. All capital asset additions over $1,000 are capitalized. Amortization is calculated on a straight line basis at the following rates:

Asset	Rate
Buildings	2.5%,3.33%,5%,6.66%
Leased property	5%
Equipment	20%
Vehicles	30%
Leasehold improvements	5% and 10%
Financial information system	20% and 100%

In the year of acquisition, one half of the yearly amortization rate is applied.

g) International Financial Reporting Standards Not Yet In Effect

At the date of issuance of these statements certain new standards, amendments, and interpretations to existing standards have been published but are not yet in effect. The Commission has chosen not to adopt these early, as allowed by IFRS. Management anticipates that all relevant pronouncements will be adopted as the Commission's policy is to adopt in the first period following the effective date. A list of applicable pronouncements and their effective dates are as follows:

IFRS 9 *Financial Instruments* with an effective date of the first fiscal period beginning on or after January 1, 2015.

IAS 32 *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)* with an effective date of the first fiscal period beginning on or after January 1, 2014.

The estimated impact of the above pronouncements on the financial statements has not been determined at this time.

h) Finance Leases

A property lease is classified as a finance lease if it transfers substantially all of the risks and rewards of ownership to the lessee. The Commission currently leases two such properties that are required to be set up as a leased property asset and an obligation under finance lease liability based on IAS 17 *Leases*. The value of finance lease asset and liability is determined using the net present value of future lease payments. The asset and liability are then amortized over the life of the lease which includes all renewal options. The asset's amortization policy has been disclosed in Note 3(f). The liability is amortized using the effective interest rate method by using the interest rate consistent with the cost of capital at inception. Lease payments made during the year are allocated to interest on finance leases and a reduction in the obligation under finance leases.

3. Summary of Significant Accounting Policies (continued...)

i) Capital Management

The Commission's objective when managing capital is to keep minimal capital on hand. This objective is achieved by accruing all comprehensive income to the Province of Prince Edward Island and transferring it on a continuous basis as excess capital becomes available.

j) Cash

Cash consists of cash on hand and amounts on deposit with financial institutions.

4. Significant Accounting Judgements and Estimates

The preparation of financial statements requires management to make estimates, judgements, and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. The actual results may materially differ from management's estimation. Items requiring the use of significant estimates include property, plant, and equipment carried at $6,816,207 (2013 - $5,973,905), accrued liabilities of $554,955 (2013 - $438,539), standard inventory freight rates of $227,546 (2013 - $211,479) and obligations under finance leases $1,047,450 (2013 - nil).

5. Accounts Receivable

	2014 $	2013 $
Trade receivables	1,081,971	699,158
Province of Prince Edward Island	75,339	84,685
	1,157,310	783,843

All amounts in the accounts receivable balance are short-term. The net carrying value of trade receivables is considered a reasonable approximation of fair value.

The receivable due from the Province of Prince Edward Island relates to a wage reimbursement for one employee on secondment to the Commission. The carrying amount of the receivable is considered a reasonable approximation of fair value as this financial asset is expected to be paid within the year, such that the time value of money is not significant.

All of the Commission's trade and other receivables have been reviewed for indications of impairment. It is management's assessment that all amounts are collectable and none are impaired.

6. Inventories

	2014 $	2013 $
Bonded warehouse	-	2,991,310
Other warehouses	4,454,733	621,923
Stores	3,130,148	3,436,076
	7,584,881	7,049,309

In June 2013 all inventory at the bonded warehouse was transferred to a non bonded warehouse resulting in an increase in inventory of approximately one million dollars due to the excise tax that became payable as a result of this transfer.

Inventories recognized in the statement of financial position consist of liquor products held for sale. In 2014, a total of $38,107,265 of inventories was included in the statement of comprehensive income as a cost of goods sold (2013 - $38,105,133).

There were no write-downs of inventories. No reversals of previous write-downs were recognized as a reduction of expense in 2014 or 2013. None of the inventories are pledged as security for liabilities.

7. Property, Plant, and Equipment

The Commission's property, plant, and equipment is comprised of land, buildings, leased property, equipment, vehicles, leasehold improvements, and a financial information system. The carrying amounts can be analysed as follows for the current fiscal year:

	Land $	Buildings $	Leased Property $	Equipment $	Vehicles $	Leasehold Improvements $	Financial Information System $	2014 Total $
Cost								
Balance, April 1, 2013	69,859	6,116,334	-	2,735,886	116,787	5,815,794	3,364,806	18,219,466
Additions	-	61,949	1,064,693	161,538	99,930	349,403	123,532	1,861,045
Disposals	-	-	-	26,464	-	208,337	-	234,801
Balance, March 31, 2014	69,859	6,178,283	1,064,693	2,870,960	216,717	5,956,860	3,488,338	19,845,710
Accumulated Depreciation								
Balance, April 1, 2013	-	2,994,654	-	2,042,231	108,021	4,162,195	2,938,460	12,245,561
Depreciation	-	198,171	29,109	221,003	21,270	296,475	205,064	971,092
Disposals	-	-	-	25,169	-	161,981	-	187,150
Balance, March 31, 2014	-	3,192,825	29,109	2,238,065	129,291	4,296,689	3,143,524	13,029,503
Net Book Value, March 31, 2014	69,859	2,985,458	1,035,584	632,895	87,426	1,660,171	344,814	6,816,207

The Commission has not pledged any of its property, plant, and equipment as security.

7. Property, Plant, and Equipment (continued...)

The carrying amounts can be analysed as follows for the previous fiscal year:

	Land $	Buildings $	Equipment $	Vehicles $	Leasehold Improvements $	Financial Information System $	2013 Total $
Cost							
Balance, April 1, 2012	69,859	5,922,444	2,369,995	116,787	5,754,693	3,261,477	17,495,255
Additions	-	193,890	365,891	-	61,101	103,329	724,211
Balance, March 31, 2013	69,859	6,116,334	2,735,886	116,787	5,815,794	3,364,806	18,219,466
Accumulated Depreciation							
Balance, April 1, 2012	-	2,809,423	1,847,812	103,241	3,819,557	2,648,478	11,228,511
Depreciation	-	185,231	194,419	4,780	342,638	289,982	1,017,050
Balance, March 31, 2013	-	2,994,654	2,042,231	108,021	4,162,195	2,938,460	12,245,561
Net Book Value, March 31, 2013	69,859	3,121,680	693,655	8,766	1,653,599	426,346	5,973,905

8. Accounts Payable and Accrued Liabilities

	2014 $	2013 $
Trade payables	2,289,390	1,787,435
Province of Prince Edward Island	219,665	189,184
	2,509,055	1,976,619

9. Debentures Payable

	2014 $	2013 $
Charlottetown (Queen Street), repayable in equal annual installments of $60,016 including interest, 5.61%, matures August 1, 2013.	-	56,828
Tignish, repayable in equal annual installments of $99,684 including interest, 5.40%, matures January 9, 2014.	-	94,577
Charlottetown (Head Office), repayable in equal annual installments of $38,889 including interest, 5.02%, matures March 7, 2015.	37,030	72,290

9. Debentures Payable (continued...)

	2014 $	2013 $
Sherbrooke, repayable in equal annual installments of $38,493 including interest, 4.81%, matures February 28, 2016.	71,770	105,202
West Royalty, repayable in equal annual installments of $64,156 including interest, 4.81%, matures August 30, 2016.	175,338	228,502
Souris, repayable in equal annual installments of $101,660 including interest, 4.74%, matures March 30, 2017.	278,200	362,670
Charlottetown (Oak Tree), repayable in equal annual installments of $16,409 including interest, 5.28%, matures June 27, 2017.	57,809	70,496
Charlottetown (Head Office and Warehouse), repayable in equal annual installments of $31,393 including interest, 4.37%, matures January 20, 2020.	162,603	185,873
Stratford, repayable in equal annual installments of $86,542 including interest, 4.20%, matures September 13, 2020.	515,613	577,887
O'Leary, repayable in equal annual installments of $49,488 including interest, 4.07%, matures January 2, 2024.	400,000	-
Total	1,698,363	1,754,325
Less current portion	352,007	455,962
Long-term portion	1,346,356	1,298,363

All debentures are payable to the Province of Prince Edward Island.

Principal repayments for the next five years and thereafter are as follows:

Fiscal Year	Amount $
2015	352,007
2016	329,379
2017	305,950
2018	154,039
2019	144,267
Thereafter	412,721
	1,698,363

10. Financial Instruments

Financial Assets

The Commission's financial assets include cash and accounts receivable. Cash has been classified as fair value through profit and loss and receivables have been classified as loans and receivables.

Cash is designated as held for trading and it is measured at fair value. Any gains or losses from this measurement are recognized through profit or loss.

Loans and receivables are financial assets with a fixed or determinate payment that are not quoted on an active market. These are measured at amortized cost using the effective interest rate method less a provision for any impairment. Discounting has been omitted as any effect on the carrying balance is not significant.

Financial Liabilities

The Commission's financial liabilities consist of accounts payable, accrued liabilities, amounts due to the Province of Prince Edward Island, obligations under finance leases and debentures payable. These liabilities are classified as other financial liabilities and are measured at amortized cost using the effective interest rate method.

Fair Value

Financial assets and liabilities are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods is based on classification as held-for-trading, loans and receivables, and other financial liabilities.

Financial assets and liabilities recorded in the statement of financial position at fair market value are categorized based on the fair value hierarchy of inputs. The Level 1 hierarchy is unadjusted quoted prices in active markets for identical assets and liabilities. This level of inputs is used to measure fair value of cash.

Fair values for accounts receivable, accounts payable, accrued liabilities, and amounts due to the Province of Prince Edward Island approximate their carrying amounts due to their short-term nature.

The fair values of debentures payable and obligations under finance leases are not materially different from their carrying value as there has not been a significant fluctuation in interest rates.

Transaction Costs

Transaction costs for fair value through profit or loss instruments are recognized as profit or loss immediately while transaction costs for other financial instruments form part of the original value of the financial instrument.

10. Financial Instruments (continued...)

De-recognition

De-recognition of a financial instrument occurs when the contractual rights to the cash flow generated by the asset expire, when the financial asset and substantially all of the risks and rewards are transferred to a third party, or when the obligation in the contract is discharged, cancelled, or expires.

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities:

	2014 $	2013 $
Financial Assets		
Financial assets at fair value through profit or loss, designated as held for trading		
Cash	1,786,650	2,706,686
Loans and receivables measured at amortized cost		
Accounts receivable (Note 5)	1,157,310	783,843
	2,943,960	3,490,529

	2014 $	2013 $
Financial Liabilities		
Other financial liabilities measured at amortized cost		
Non current		
Obligations under finance leases (Note 12)	1,015,201	-
Debentures payable (Note 9)	1,346,356	1,298,363
	2,361,557	1,298,363
Current		
Due to the Province of Prince Edward Island	12,180,649	12,830,981
Accounts payable and accrued liabilities (Note 8)	2,509,055	1,976,619
Current portion of obligations under finance leases (Note 12)	32,249	-
Current portion of debentures payable (Note 9)	352,007	455,962
	15,073,960	15,263,562
	17,435,517	16,561,925

A description of the Commission's risk management objectives and policies for financial instruments is included in Note 11.

11. Financial Risk Management

The Commission is exposed to various risks in relation to financial instruments. The Commission's financial assets and liabilities by category are summarized in Note 10. The main types of risks are market, credit, and liquidity risk.

11. Financial Risk Management (continued...)

Market Risk

Market risk consists of three types: currency, interest rate, and price risk. The Commission's market risk management focuses on the unpredictability of financial and economic markets and seeks to minimize potential effects on the Commission's financial performance. In common with many organizations that purchase in foreign currencies, the Commission may be exposed to a marginal degree of currency risk. Management has mitigated the exposure to this risk by limiting the number of purchase transactions originating in foreign currency.

The Commission's policy is to minimize interest rate cash flow risk exposures on long-term financing. Long-term borrowing is at fixed rates.

The Commission's financial instruments are not subject to significant price risk.

Credit Risk

Credit risk is the risk the Commission will incur a loss because a customer fails to meet an obligation. The Commission is exposed to this risk for financial instruments classified as loans and receivables by granting credit to customers. The Commission's maximum exposure to credit risk is limited to the carrying amount of loans and receivables recognized at the reporting date as summarized below:

	2014 $	2013 $
Loans and receivables	1,157,310	783,843

The Commission has mitigated its exposure to this risk through the limited extension of credit and its contractual relationships with its business partners. The Commission's management considers all of the above loans and receivables to be unimpaired for each of the reporting dates and are of good credit quality.

Some of the unimpaired trade receivables are past due as at the reporting date. Trade receivables past due but unimpaired are as follows:

	2014 $	2013 $
Current	355,920	342,059
Less than 30 days	315,985	164,685
30 - 60 days	209,613	194,926
60 days - 1 year	242,311	80,576
More than 1 year	33,481	1,597
	1,157,310	783,843

11. Financial Risk Management (continued...)

With respect to trade and other receivables, the Commission is not exposed to any significant credit risk exposure to any single supplier or country of origin. Trade receivables consist of a large number of customers in various industries and geographical areas. Based on historical information about customer default rates management considers the credit quality of trade receivables not impaired to be good.

Liquidity Risk

Liquidity risk is the risk that the Commission would be unable to meet its obligations. The Commission manages its liquidity needs by monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash inflows and outflows due in day-to-day business. The data used for analyzing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30 day outlook. Net cash requirements are compared to available borrowing facilities in order to determine any surplus or shortfall.

The Commission's objective is to maintain cash and marketable securities to meet its liquidity requirements for a minimum 30 day period. This objective was met for the reporting period. Funding for long-term liquidity needs are secured by adequate amounts of committed credit facilities. The Commission's existing cash resources, trade receivables, and cash generated from operations significantly exceed the current cash outflow requirements.

The Commission's contractual financial liabilities as at March 31, 2014, mature as follows:

	Current		Non Current	
	Within 6 months	6 to 12 Months	1 to 5 Years	After 5 Years
	$	$	$	$
Accounts payable and accrued liabilities	2,509,055			
Due to the Province	12,180,649			
Obligations under finance leases	15,918	16,331	146,886	868,315
Debentures	133,966	218,041	933,636	412,720
	14,839,588	234,372	1,080,522	1,281,035

11. Financial Risk Management (continued...)

The Commission's contractual financial liabilities as at March 31, 2013, matured as follows:

	Current		Non Current	
	Within 6 months	6 to 12 Months	1 to 5 Years	After 5 Years
	$	$	$	$
Accounts payable and accrued liabilities	1,976,619			
Due to the Province	12,830,981			
Debentures	184,951	271,011	1,000,211	298,152
	14,992,551	271,011	1,000,211	298,152

12. Leases and Commitments

The Commission leases fourteen retail outlets. Twelve of those outlets are classified as operating leases and two retail outlets are classified as finance leases.

Finance Leases

The following are the future minimum lease payments and net present values for the finance leases as at March 31, 2014:

	Within 1 Year	1 to 5 Years	After 5 Years	2014 Total
	$	$	$	$
Minimum lease payments	87,000	348,000	1,257,500	1,692,500
Net present value	82,649	291,283	673,518	1,047,450

The net present value was calculated by discounting the minimum lease payments using the cost of capital at lease inception for capital projects over the same period as the length of the lease including any renewal options. These rates range between 5.14% - 5.34%.

Operating Leases

The following are the Commission's future minimum lease payments for the operating leases:

	Within 1 Year	1 to 5 Years	After 5 Years	Renewal Options	Total
	$	$	$	$	$
March 31, 2014	639,837	1,195,132	671,508	5,545,150	8,051,627
March 31, 2013	702,441	1,831,119	622,658	5,441,948	8,598,166

Total future minimum operating lease payments include lease renewal options which can be exercised by the Commission for periods above their current lease contract. Lease payments recognized as an expense during the period are $759,284 (2013 - $768,012). Dependent on the terms of the lease, other costs incurred by the Commission associated with property leases may include insurance, taxes, repairs and maintenance, and leasehold improvements.

12. Leases and Commitments (continued...)

Commitments

The Commission has entered into contracts with various suppliers for hardware maintenance, software support services, internet access, marketing and security services. The total of these contracts is $693,315 and they expire in one to four years.

13. Gross Receipts

	2014 $	2013 $
Sales	68,999,435	68,337,406
Taxes collected and remitted		
Provincial Health Tax	17,586,902	17,425,729
Provincial Sales Tax	-	7,446,788
Harmonized Sales Tax	12,624,220	-
Federal Goods and Services Tax	-	4,473,248
Gross receipts	99,210,557	97,683,171

14. Employee Benefits

a) Pension Benefits

Permanent employees of the Commission participate in the Province of Prince Edward Island Civil Service Superannuation Pension Plan (the Plan) which is a multi-employer contributory defined benefit pension plan. The Plan provides a pension on retirement based on two percent of the average salary for the highest three years times the number of years of pensionable service for service to December 31, 2013, and two percent of the career average salary indexed with cost of living adjustments for service after 2013. Indexing is subject to the funded level of the plan after December 31, 2016. The Plan is administered by the Province of Prince Edward Island. The Commission's annual portion of contributions to the Plan of $459,941 (2013 - $378,203) was paid by the Province and not reflected in these financial statements. Any unfunded liability of the Plan is the responsibility of the Province and therefore no liability has been recognized in these financial statements. For additional information on the Plan, see the Province's consolidated financial statements.

b) Retiring Allowance

The Commission provides a retirement allowance to its permanent employees. The amount paid to eligible employees at retirement is based on the number of years of service and the rate of pay in effect at the retirement date. The benefit costs and liabilities related to the allowance are assumed by the Province and are not included in these financial statements.

14. Employee Benefits (continued...)

c) Sick Leave

Classified employees are credited 1.25 (1.5 - excluded employees) days per month for use as paid absences in the year, due to illness or injury. Under existing employment agreements, employees are allowed to accumulate unused sick day credits each year up to the allowable maximum. Accumulated credits may be used in future years to the extent the employee's illness or injury exceeds the current year's allocation. The use of accumulated sick days for sick leave compensation ceases on termination of employment and there is no obligation to settle these amounts with cash payments. A liability has not been calculated and no accrual has been recorded in these financial statements. The related liability is recorded by the Province. Salary expense is included in these financial statements.

15. Related Party Transactions

These financial statements include the results of normal operating transactions with various provincial departments, Crown corporations, and agencies with which the Commission is related. Operating transactions with related parties, such as insurance and taxes of $177,452 (2013 - $181,954) and interest on debentures of $78,074 (2013 - $104,046) are recorded at rates as determined by the Province of Prince Edward Island.

Key management received $578,699 (2013 - $561,865) during the year for salaries and benefits. Long-term benefits such as pensions are the responsibility of the Province and are not included in these financial statements.

The Commission's employee wages and benefits are paid by the Province and subsequently reimbursed by the Commission.

Comprehensive income earned during the period is payable to the Province.

16. Contingent Liabilities

The Prince Edward Island Liquor Control Commission is subject to legal actions arising in the normal course of business. At the issuance date of these financial statements there were outstanding legal claims against the Commission. Costs, if any, related to these outstanding claims are the responsibility of the Prince Edward Island Self Insurance and Risk Management Fund. The Fund provides general liability, errors and omissions, primary property, crime, and automobile liability insurance. The Fund is administered by the Province of Prince Edward Island and the Province is responsible for any liabilities of the Fund.